

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 968 - SB 957

March 7, 2019

SUMMARY OF BILL: Requires the state salary schedule to reflect salary increases each fiscal year following a fiscal year in which there was an increase in the instructional salaries and wages component of the Basic Education Program (BEP). Requires a local education agency (LEA) that adopts the state salary schedule to increase the salary schedule in proportion to the amount added to the instructional salaries and wages component for each fiscal year following an increase. Prohibits an LEA from reducing its contributions toward a health insurance policy below the minimum percentage specified in the general appropriations act. Prohibits an LEA from requiring employees to increase contributions toward a health insurance policy based solely on an increase to the instructional salaries and wages component of the BEP.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – For each one percent increase in the instructional salaries and wages component of the BEP, there would be mandatory increase in local expenditures estimated to be \$24,250,400*. The extent and timing of any relative local impact is dependent upon legislative action and cannot be specifically determined.

Assumptions:

- The proposed legislation does not require an increase in state expenditures.
- An increase to the instructional salary and wages component of the BEP formula by the state will affect local expenditures after the instructional salary component of the BEP is increased through state appropriations.
- Based on information provided by the Department of Education (DOE), there are approximately 73,486 licensed personnel employed in LEAs.
- The BEP is funded with approximately 70 percent state funds and approximately 30 percent local matching funds.
- The FY19-20 instructional salary component of the BEP is \$47,150 per instructional position. Under current law, the state will fund \$33,005 ($\$47,150 \times 70.0\%$) per instructional position and LEAs will be required to fund \$14,145 ($\$47,150 \times 30.0\%$) per instructional position.

- To the extent the BEP instructional salaries and wages component is increased by one percent, the instructional salary and wage component would become \$47,622 (\$47,150 x 101.0%) per instructional position. The state would fund \$33,335 (\$47,622 x 70.0%) per instructional position and the LEAs would be required to fund \$14,287 (\$47,622 x 30.0%) per instructional position.
- Section 3 of this legislation states that for each fiscal year following a fiscal year in which there is an increase to the instructional salaries and wages component of the BEP in the general appropriations act to increase teacher salaries, an LEA that adopts a salary schedule in accordance with Tenn. Code Ann. § 49-3-306(a)(1) shall increase the salary schedule in proportion to the amount added to the instructional salaries and wages component. Therefore, it is assumed that any applicable increase to LEA salary schedules will be in addition to any required BEP local match requirement.
- Tennessee Code Annotated § 49-3-306(a)(1) refers to the salary schedule applicable to all licensed personnel in every LEA. Therefore, this legislation is assumed to be applicable to all licensed personnel in LEAs.
- The amount added to the instructional salaries and wages component would be \$330 (\$33,335 - \$33,005) per instructional position. Therefore, LEAs will be required to increase the salary schedule for all licensed LEA employees by \$330 per position.
- The recurring increase in local expenditures is estimated to be \$24,250,380 (73,486 licensed personnel x \$330 amount added).
- Any impact related to local employee contributions towards health insurance plans is estimated to be not significant.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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